

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name St. Clair County	County St. Clair
Audit Date December 21, 2005	Opinion Date May 22, 2006	Date Accountant Report Submitted to State: September 21, 2006	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below. **Financial Statement Previously Submitted**

- | | |
|--|---|
| <input type="checkbox"/> Yes <input type="checkbox"/> No | 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements. |
| <input type="checkbox"/> Yes <input type="checkbox"/> No | 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980). |
| <input type="checkbox"/> Yes <input type="checkbox"/> No | 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended). |
| <input type="checkbox"/> Yes <input type="checkbox"/> No | 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act. |
| <input type="checkbox"/> Yes <input type="checkbox"/> No | 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]). |
| <input type="checkbox"/> Yes <input type="checkbox"/> No | 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit. |
| <input type="checkbox"/> Yes <input type="checkbox"/> No | 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year). |
| <input type="checkbox"/> Yes <input type="checkbox"/> No | 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241). |
| <input type="checkbox"/> Yes <input type="checkbox"/> No | 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95). |

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			
Reports on individual federal financial assistance programs (program audits).			
Single Audit Reports (ASLGU).	X		

Certified Public Accountant (Firm Name) Stewart, Beauvais & Whipple PC			
Street Address 1979 Holland Avenue	City Port Huron	State MI	ZIP 48060
Accountant Signature <i>Stewart, Beauvais & Whipple</i>			Date September 21, 2006

ST. CLAIR COUNTY, MICHIGAN

**SUPPLEMENTARY INFORMATION TO
BASIC FINANCIAL STATEMENTS**

(FEDERAL AWARDS)

FOR THE YEAR ENDED DECEMBER 31, 2005

Stewart,
Beauvais
& Whipple P.C.

CERTIFIED PUBLIC ACCOUNTANTS



ST. CLAIR COUNTY, MICHIGAN

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**INDEPENDENT AUDITOR'S REPORT
ON SUPPLEMENTARY FINANCIAL INFORMATION**

To the Board of Commissioners
of St. Clair County
St. Clair, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Clair County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements. Those financial statements are the responsibility of St. Clair County's management. Our responsibility is to express opinions on those financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

Our audit was made for the purpose of forming opinions on the financial statements that collectively comprise St. Clair County, Michigan's basic financial statements. The Schedule of Expenditures of Federal Awards presented on pages 6 through 9 is presented for purposes of additional analysis as required by the U.S. Office of Management and Budget Circular A-133, Audits of States, Local Governments, and Non-Profit Organizations and is not a required part of the basic financial statements. The information in this schedule has been subject to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, is fairly stated in all material respects, in relation to the basic financial statements taken as a whole.

Stewart, Beauvais & Whipple

Certified Public Accountants

May 22, 2006

**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON
COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL
STATEMENTS PERFORMED IN ACCORDANCE WITH
GOVERNMENT AUDITING STANDARDS**

To the Board of Commissioners
of St. Clair County
St. Clair, Michigan

We have audited the financial statements of the governmental activities, the business-type activities, the aggregate discretely presented component units, each major fund, and the aggregate remaining fund information of St. Clair County, Michigan, as of and for the year ended December 31, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon, dated June 6, 2005. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

Internal Control over Financing Reporting

In planning and performing our audit, we considered the County of St. Clair, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the basic financial statements and not to provide an opinion on the internal control over financial reporting. However, we noted certain matters involving the internal control over financial reporting and its operation that we consider to be reportable conditions. Reportable conditions involve matters coming to our attention relating to significant deficiencies in the design or operation of the internal control over financial reporting that, in our judgment, could adversely affect the County of St. Clair, Michigan's ability to record, process, summarize and report financial data consistent with the assertions of management in the financial statements. Reportable conditions are described in the accompanying schedule of findings and questioned costs as 05-1 and 05-2.

A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the basic financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be reportable conditions and, accordingly, would not necessarily disclose all reportable conditions that are also considered to be material weaknesses. However, we believe none of the reportable conditions described above to be material weaknesses.

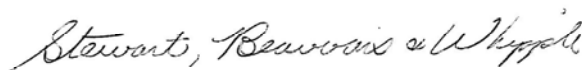
We also noted other matters involving the internal control over financial reporting that we have reported to management of the County of St. Clair, Michigan, in a separate letter dated May 22, 2006.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the County of St. Clair, Michigan's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under ***Government Auditing Standards***.

However, we noted certain immaterial instances of noncompliance, which we have reported to the management of St. Clair County, Michigan in a separate Management Letter on Compliance Issues dated May 22, 2006.

This report is intended solely for the information and use of the audit committee, management and the County Board of Commissioners of St. Clair County, Michigan, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

May 22, 2006

**REPORT ON COMPLIANCE WITH REQUIREMENTS APPLICABLE TO EACH
MAJOR PROGRAM AND INTERNAL CONTROL OVER COMPLIANCE IN
ACCORDANCE WITH OMB CIRCULAR A-133**

To the Board of Commissioners
of St. Clair County
St. Clair, Michigan

Compliance

We have audited the compliance of the County of St. Clair, Michigan, with the types of compliance requirements described in the *U.S. Office of Management and Budget (OMB) Circular A-133 Compliance Supplement* that are applicable to each of its major federal programs for the year ended December 31, 2005. The County of St. Clair, Michigan's major federal programs are identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs. Compliance with the requirements of laws, regulations, contracts and grants applicable to each of its major federal programs is the responsibility of the County of St. Clair, Michigan's management. Our responsibility is to express an opinion on the County of St. Clair, Michigan's compliance based on our audit.

St. Clair County, Michigan's financial statements include the operations of the St. Clair County Mental Health Authority, a discretely presented component unit of the County, which received \$733,633 in federal awards, which is not included in the accompanying schedule of expenditures of federal awards for the year ended December 31, 2005. Our audit, as described below, did not include the operations of the St. Clair County Mental Health Authority. It had a separate audit in accordance with OMB Circular A-133.

We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America; the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States; and OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Those standards and OMB Circular A-133 require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major federal program occurred. An audit includes examining, on a test basis, evidence about the County of St. Clair, Michigan's compliance with those requirements and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion. Our audit does not provide a legal determination on the County of St. Clair, Michigan's compliance with those requirements.

In our opinion, the County of St. Clair, Michigan complied, in all material respects, with the requirements referred to above that are applicable to each of its major federal programs for the year ended December 31, 2005. However, the results of our auditing procedures disclosed as an instance of noncompliance with these requirements, which is required to be reported in accordance with OMB Circular A-133, and which is described in the accompanying schedule of findings and questioned cost.

Internal Control Over Compliance

The management of the County of St. Clair, Michigan is responsible for establishing and maintaining effective internal control over compliance with requirements of laws, regulations, contracts and grants applicable to federal programs. In planning and performing our audit, we considered the County of St. Clair, Michigan's internal control over compliance with requirements that could have a direct and material effect on a major federal program in order to determine our auditing procedures for the purpose of expressing our opinion on compliance and to test and report on internal control over compliance in accordance with OMB Circular A-133.

Our consideration of the internal control over compliance would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that noncompliance with applicable requirements of laws, regulations, contracts and grants caused by error or fraud that would be material in relation to a major federal program being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over compliance and its operation that we consider to be material weaknesses.

This report is intended solely for the information and use of the audit committee, management, the and the County Board of Commissioners of St. Clair County, Michigan, and federal awarding agencies and pass-through entities, and is not intended to be and should not be used by anyone other than these specified parties.


Certified Public Accountants

May 22, 2006

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

<u>Federal Grantor/ Pass-Through Grantor/ Program Title</u>	<u>Federal CFDA Number</u>	<u>Pass-Through Grantor's Number</u>	<u>Expenditures</u>
<u>U.S. DEPARTMENT OF AGRICULTURE:</u>			
<u>Passed Through the Michigan State University Extension:</u>			
Plant and Animal Disease -	10.025		
Outreach Education		N/A	\$ 2,263
Food Stamps (a)	10.551	N/A	391
Nutrition Cluster -			
School Breakfast Program (b)	10.553	740008001A	13,291
National School Lunch Program (b) -	10.555	740008001A	20,502
Total Nutrition Cluster			<u>33,793</u>
<u>Passed Through the Michigan Department of Community Health:</u>			
Special Supplemental Food Program for Women, Infants, and Children - WIC	10.557	N/A	<u>460,944</u>
TOTAL U.S. DEPARTMENT OF AGRICULTURE			<u>497,391</u>
<u>U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT:</u>			
<u>Passed Through Michigan State Housing Development Authority:</u>			
Home Investment partnerships Program	14.239	N/A	<u>186,199</u>
TOTAL U.S. DEPARTMENT OF HOUSING AND URBAN DEVELOPMENT			<u>186,199</u>
<u>U.S. DEPARTMENT OF JUSTICE:</u>			
<u>Passed Through the Michigan Department of Human Services</u>			
Juvenile Accountability Block Grant	16.523	JAIBG-04-74001 JAIBG-05-74001	6,153 15,629 <u>21,782</u>
<u>Direct Programs - through Department of Justice.</u>			
Edward Byrne Memorial Formula Grant Program	16.579	N/A	8,500
Local Law Enforcement Block Grant	16.592	N/A	4,562
State Criminal Alien Assistance Program	16.606	N/A	13,977
Bulletproof Vest Partnership Program	16.607	N/A	4,034
COPS MORE Grant	16.710	N/A	<u>21,964</u>
Total Direct Programs - through Department of Justice			<u>53,037</u>
<u>Passed Through The Michigan Department of State Police:</u>			
Enforcing Underage Drinking Laws Program	16.727	N/A	<u>13,792</u>
TOTAL U.S. DEPARTMENT OF JUSTICE			<u>88,611</u>

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF TRANSPORTATION</u>			
<u>Passed Through Southeast Michigan Council of Governments</u>			
Highway Planning and Construction - St. Clair County Transit Study	20.205	N/A	\$ 70,016
<u>Passed Through Michigan Department of State Police</u>			
<u>Office of Highway Safety Planning -</u> Drive Michigan Safety Task Force	20.600	N/A	79,681
TOTAL U.S. DEPARTMENT OF TRANSPORTATION			149,697
<u>U.S. ENVIRONMENTAL PROTECTION AGENCY:</u>			
<u>Passed Through the Michigan Department of Environmental Quality:</u>			
Non-point Source Implementation Grant Watershed Protection and Flood Prevention	66.460	N/A	32,312
TOTAL U.S. ENVIRONMENTAL PROTECTION AGENCY			32,312
<u>U.S. DEPARTMENT OF EDUCATION:</u>			
<u>Passed Through the Michigan Department of Community Health</u>			
Safe and Drug Free Schools and Communities State Grants - Summer Team Program	84.186A	20011728	30,492
<u>Passed Through Michigan State University Cooperative Extension</u>			
Twenty-First Century Community Learning	84.287	N/A	49,072
TOTAL U.S. DEPARTMENT OF EDUCATION			79,564
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES:</u>			
<u>Passed Through the Michigan Department of Human Services:</u>			
Child Support Enforcement (Title IV-D) - Cooperative Reimbursement Program -	93.563		
Medical Support		CS/MED -74001	\$ 21,269
Medical Incentive		N/A	299,954
Friend of Court (a)		CS/FOC -74001	1,887,274
Prosecuting Attorney (a)		CS/PA -74002	127,146
			2,335,643
Child Support Enforcement (Title IV-E) Prosecuting Attorney (a)	93.658	N/A	10,714
Medical Assistance Program - Children Special Health Care (a) Dental-One Time	93.778	N/A N/A	13,638 44,444
			58,082
Total Passed Through the Michigan Department of Human Services			2,404,439

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
Family Planning Services (a)	93.217	N/A	\$ 109,133
Project of Regional and National Significance - SIG	93.243	N/A	99,707
Immunization Grants -	93.268		
Vaccine Doses		N/A	708,634
Vaccine Replacement		N/A	5,184
Immunization - Field Services		N/A	94,129
			807,947
Centers for Disease Control-Investigations and Technical Assistance-	93.283		
Bioterrorism Grant		N/A	274,033
State Children Insurance Program			
MI Child Marketing and Outreach (a)	93.767	N/A	3,589
Adult Benefit Waiver			47,710
			51,299
Block Grants for Prevention and Treatment of Substance Abuse (a)	93.959		
Coordination Agency		391B8000196	77,710
Treatment and Prevention - Basic		391B8000196	811,862
Treatment - Women and Family Specialty		391B8000196	111,000
			1,000,572
<u>U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES (Cont'd):</u>			
<u>Passed Through the Michigan Department of Community Health:</u>			
Maternal and Child Health Services Block Grant -	93.994		
Family Planning (a)		N/A	22,503
Primary Care Dental		N/A	33,911
Outreach		N/A	118,448
			174,862
Prevention Health Services STD Control	93.997	N/A	24,888
Total Passed Through the Michigan Department of Community Health			2,542,441
<u>Passed Through Southeastern Michigan Health Association:</u>			
HIV Emergency Relief Project	93.914	N/A	70,686
TOTAL U.S. DEPARTMENT OF HEALTH AND HUMAN SERVICES			5,017,566

ST. CLAIR COUNTY, MICHIGAN
SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005

Federal Grantor/ Pass-Through Grantor/ Program Title	Federal CFDA Number	Pass-Through Grantor's Number	Expenditures
<u>U.S. DEPARTMENT OF HOME LAND SECURITY</u>			
<u>Passed Through Michigan Department of State Police:</u>			
State Domestic Preparedness Equipment Support Program	97.004		\$ 1,474,315
Pre-Disaster Mitigation (PDM) Competitive Grants	97.017		44,000
Emergency Management Performance Grant	97.042		197
Citizen CORP - 04 Cert SHSGP	97.053		27,478
State Homeland Security Program	97.067		219,308
TOTAL U.S. DEPARTMENT OF HOME LAND SECURITY			<u>1,765,298</u>
TOTAL FEDERAL AWARDS			<u><u>\$ 7,816,638</u></u>

See Notes to Schedule of Expenditures of Federal Awards

ST. CLAIR COUNTY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES:

The accompanying schedule of expenditures of federal awards includes the federal grant activity of the County of St. Clair and is presented on the same basis of accounting as the basic financial statements. The information in this schedule is presented in accordance with the requirements of OMB Circular A-133, *Audits of States, Local Governments, and Non-Profit Organizations*. Therefore, some amounts presented in this schedule may differ from amounts presented in, or used in the preparation of, the basic financial statements.

The St. Clair County Mental Health Authority is reported as a discretely presented component unit in the financial statements of St. Clair County as of and for the year ended December 31, 2005. The Authority expended \$733,633 in federal awards, however, was not reported in the Schedule of Expenditures of Federal Awards because a separate A-133 audit was performed.

The St. Clair County Road Commission is reported as a discretely presented component unit in the financial statements of St. Clair County as of and for the year ended December 31, 2005. The Road Commission reported \$1,446,684 in federal awards; however, a separate A-133 audit was not performed because the expenditures were administered by the Michigan Department of Transportation.

NOTE 2 - SUMMARY OF SIGNIFICANT EXPLANATIONS OF SCHEDULE:

The following descriptions identified below as (a) and (b) represent explanations that cross reference to amounts and headings of the Schedule of Expenditures of Federal Awards.

- (a) Reimbursements of these contracts are not funded 100% by the Federal Government. The revenues reported on the Schedule of Expenditures of Federal Awards represent the Federal portion of the respective reimbursements and are a percentage of total contract expenditures as summarized below:

<u>Program</u>	<u>CFDA Number</u>	<u>Percent</u>
Food Stamps	10.551	50.00 %
Coop. Reimbursement & Medical Support Enforcement	93.563	66.00
Family Planning Services	93.217	77.00/79.00
	93.994	16.00
Block Grants for Prevention & Treatment of Substance Abuse - Coordinating Agency	93.959	45.00 %
Treatment and Prevention – Basic		75.00
Child Protection Investment Title IVE	93.658	50.00
State Children Insurance Program -	93.767	69.70
Medical Assistance Program – Children Special Health	93.778	50.00

- (b) The reimbursements for the School Breakfast and National School Lunch Program are determined by applying approved reimbursement rates to the number of allowable breakfast and lunches served during each reporting period. Expenditures are reported equal to revenue.

ST. CLAIR COUNTY, MICHIGAN

NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS FOR THE YEAR ENDED DECEMBER 31, 2005

NOTE 3 – NUTRITION CLUSTER:

Supplementary Data:

	Accrued Revenue at Jan. 1, 2005	Prior Years Expenditures	Current Years Expenditures	Current Years Cash Receipts	Accrued Revenue at Dec. 31, 2005
Juvenile Center - Breakfast -					
61970	\$ -	\$ -	\$ 3,737	\$ 2,464	\$ 1,273
51970	1,044	3,352	9,554	10,598	-
41970	-	11,604	-	-	-
Total CFDA #10.553	<u>\$ 1,044</u>	<u>\$ 14,956</u>	<u>\$ 13,291</u>	<u>\$ 13,062</u>	<u>\$ 1,273</u>
Sec 4 - Total Servings -					
61950	\$ -	\$ -	\$ 593	\$ 392	\$ 201
51950	164	526	1,502	1,666	-
41950	-	1,713	-	-	-
Sec 11 - Free and Reduced -					
61960	-	-	5,187	3,429	1,758
51960	1,443	3,199	13,220	14,663	-
41960	-	16,084	-	-	-
Total CFDA #10.555	<u>\$ 1,607</u>	<u>\$ 21,522</u>	<u>\$ 20,502</u>	<u>\$ 20,150</u>	<u>\$ 1,959</u>

*Agrees with amounts reported on the Michigan Department of Education Grant Auditors Report - Form R7120

NOTE 4 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS:

The following schedule reconciles the federal/state intergovernmental revenues reported in the December 31, 2005, basic financial statements for the primary government and the intergovernmental revenues reported in the various discretely presented component units 2005 financial statements to the expenditures of the County administered federal programs reported on the Schedule of Expenditures of Federal Awards.

	General Fund	Other Governments Funds	Enterprise Funds	Discretely Presented Component Units	Total
Federal/State					
Revenue per basic financial statements	\$ 6,821,261	\$ 10,786,958	\$ 402,985	\$ 91,909,074	\$ 109,920,278
Less: State Intergovernmental revenue	(2,767,375)	(7,056,518)	(402,985)	(89,769,083)	(99,995,961)
Federal revenue per basic financial statements	4,053,886	3,730,440	-	2,139,991	9,924,317
Add (less) reconciling items identified as (a) - (c)					
(a)	-	-	-	(1,446,684)	(1,446,684)
(b)	-	-	-	72,638	72,638
(c)	-	-	-	(733,633)	(733,633)
	<u>\$ 4,053,886</u>	<u>\$ 3,730,440</u>	<u>\$ -</u>	<u>\$ 32,312</u>	<u>\$ 7,816,638</u>

ST. CLAIR COUNTY, MICHIGAN

**NOTES TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
FOR THE YEAR ENDED DECEMBER 31, 2005**

**NOTE 4 - RECONCILIATION TO SCHEDULE OF EXPENDITURES OF FEDERAL AWARDS
– (cont'd):**

The following descriptions identified below as (a) - (c) represent explanations of the reconciling amounts that cross reference to amounts of the Reconciliation to Schedule of Expenditures of Federal Awards:

- (a) It is required by the Michigan Department of Transportation that the County report total federal financial assistance for Road Improvement Programs. However, only the federal financial assistance applicable to expenditures for work performed or contracted by the County is required to be audited for compliance under the Single Audit Act through County procurement. The reason for this requirement is that the County is required to have accounting and administrative control over these expenditures while the balance is administered by the Michigan Department of Transportation.
- (b) The amount represents the Federal portion of amount received from the Blue Water Area Transportation Commission reported in the St. Clair County Community Mental Health Authority as intergovernmental-local sources.
- (c) The amount represents the Federal dollars audited under separate single audit for the St. Clair County Community Mental Health Authority. A separate single audit has been issued.

NOTE 5 - SUBRECIPIENTS:

Of the federal expenditures presented in the Schedule of Expenditures of Federal Awards, the County of St. Clair, Michigan provided federal awards to subrecipients as follows:

<u>Federal Award</u>	<u>CFDA#</u>	<u>Amount</u>
Block Grants for prevention and treatment of substance abuse	93.959	\$ 922,862
Projects of Regional and National significance	93.243	99,707
Adult Benefit Waiver	93.767	47,710

ST. CLAIR COUNTY, MICHIGAN

**SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED DECEMBER 31, 2005**

Section I – Summary Of Auditor’s Results:

Financial Statements

Type of auditor’s report issued: Unqualified

Internal controls over financial reporting:
Material weakness(es) identified? _____ yes x no
Reportable condition(s) identified not
considered to be material weaknesses? x yes _____ none reported

Noncompliance material to financial
statements noted? _____ yes x no

Federal Awards

Internal Control over major programs:
Material weakness(es) identified? _____ yes x no
Reportable condition(s) identified not
considered to be material weaknesses? _____ yes x none reported

Type of auditor’s report issued on compliance
for major programs: Unqualified

Any audit findings disclosed that are required to
be reported in accordance with Circular A – 133,
Section 510(a)? x yes _____ no

Identification of Major Programs:

<u>CFDA Number(s)</u>	<u>Name of Federal Program or Cluster</u>
CFDA #93.563	Child Support Enhancement
CFDA #93.959	Block Grants for Prevention and Treatment of Substance Abuse
CFDA #97.004	State Domestic Preparedness – Equipment Grant
CFDA #97.067	State Homeland Security Program

Dollar threshold used to distinguish
between Type A and Type B programs: \$300,000

Auditee qualified as low-risk auditee? _____ yes x no

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2005

Section II – Financial Statement Findings:

The following two findings are considered to be reportable conditions on internal control over financial reporting that are not considered to be material weaknesses.

05-1

Program – Federal Award Programs in General

Cash accounts should be reconciled to the general ledger on a timely basis.

Due to the absence of certain County personnel, several bank statements of the County, including the County's general cash account, were not reconciled to the general ledger for the last few months of 2005 and the first part of 2006. While we understand the difficulty of adjusting responsibilities while an employee is absent, we recommend the function of reconciling the cash be performed timely in the absence of the person normally responsible for this function. Failure to timely reconcile cash creates an opportunity for problems to occur and go undetected.

05-2

Program – Federal Award programs in General

The County should adopt procedures to ensure compliance with the County's procurement requirements.

As you are aware, the County has a formal purchasing policy that requires different levels of procurement for purchases of different amounts. For instance, individual purchases of \$2,500 to \$10,000 require a minimum of three (3) telephone quotes with a written quote obtained for the winning bidder, \$10,000 to \$50,000 requires three formal written bids, and sealed bids for all amounts over \$50,000. In addition, the County policy requires that if "single source bids" are utilized that the reason be fully researched and documented and that it be approved by both the department head and the purchasing department. During the audit, as in past audits, we noted instances where purchases were made but procurement documentation could not be provided. Also, contracts were awarded using "single source bid", but the required documentation was not available. In many instances, this is complicated by the fact that each department can perform their own purchasing.

We recommend that the County institute procedures to ensure that the County is meeting the procurement requirements. We understand that the County is moving towards centralized purchasing which should help assure compliance with the procurement process and also save the County a considerable amount of money. We encourage the County to continue with this endeavor. If Centralized Purchasing is not utilized, then a summary of the procurement process should be submitted to the County Controller documenting that it was performed before invoices are paid.

In addition, the County procurement procedures require bidding if individual items are over the dollar threshold, but does not address large purchases of small items. We recommend that bids be taken for normal supply and inventory times that may not meet the individual dollar threshold but may accumulate large dollars over a given period. For instance, if the County regularly purchases \$25,000 or \$50,000 or more of a particular type of material or item in a given year, that formal bids be obtained over three to five years.

ST. CLAIR COUNTY, MICHIGAN

SCHEDULE OF FINDINGS AND QUESTIONED COSTS FOR THE YEAR ENDED DECEMBER 31, 2005

Section III – Federal Award Findings And Questioned Costs:

05-3

Program – State Domestic Preparedness Equipment Support Program (CFDA #97.004) passed through the Michigan Department of State Police to St. Clair County

Criteria: The Uniform Administrative Requirements for Grants and Cooperative Agreements to State and Local Governments (OMB Common Rule) states in part under Part C, Section 36, Procurement, that grantees and subgrantees will maintain records sufficient to detail the significant history of a procurement. These records will include, but are not necessarily limited to the following: rationale of the method of procurement, selection of contract type, contractor selection or rejection, and the basis of the contract price.

Condition: The County procurement policy meets federal requirements and appears to have been followed when purchasing equipment with State Domestic Preparedness Equipment Support Program award dollars; however, records were not consistently maintained to provide sufficient detail of the history of the procurement.

Context: The State Domestic Preparedness Equipment Support Program was classified as a Type A major program and totaled \$1,474,315 in expenditures. Three expenditures selected did not have documentation readily available to support procurement history in the amount of \$1,030,221.

Effect: No effect of disallowed cost because support subsequently was provided.

We were provided substantial explanation and subsequent support as to obtaining quotes, price analysis, state bids and sole source selection; however, this documentation should have already been on file and readily available.

Cause: The various County departments followed the County Procurement Policy, however, did not have in place a formal documentation and retention policy for the steps performed during procurement.

Recommendation: We recommend that a formal policy be established for the documentation and retention of the steps performed during procurement. The information provided to us should be retained as documentation for the procurement related to the aforementioned expenditures.

Section IV – Prior Year Findings:

A summary schedule of the prior year financial statement findings has been prepared.

MANAGEMENT LETTER RELATING TO COMPLIANCE ISSUES

To the Board of Commissioners
of St. Clair County
Port Huron, Michigan

We have recently completed the our audit of the financial statements and Schedule of Expenditures of Federal Awards (Single Audit under OMB Circular A-133) of the County of St. Clair, Michigan as of and for the year ended December 31, 2005. In connection with the audits, we believe certain changes in your accounting and administrative procedures would be helpful in further improving management's control over compliance requirements for federal programs. As noted in our Report on Internal Control over Financial Reporting and on Compliance and Other Matters Based on an Audit of Financial Statements Performed in Accordance with *Government Auditing Standards*, dated May 22, 2006, these conditions described below are not considered material weaknesses.

Control over expenditure reporting.

The reporting of substance abuse expenditures on the revenues and expenditures report to the Michigan Department of Community Health includes not only those expenditures reimbursed by the Michigan Department of Community Health, but also the expenditure of P.A. 2, Medicaid and local dollars.

It was noted during the audit that the Coordinating Agency expenditures made for MiChild and local were overstated by \$127,972. The result of the combination of incorrect reporting, however, has no effect on the amount reimbursed from the Michigan Department of Community Health.

We recommend that additional care be made in the preparation of the revenue and expenditure report to the Michigan Department of Community Health to be sure and recognize the correct supplemental revenues and expenditures to the state and federal substance abuse block grant dollars.

Controls over documentation of the time charged to federal program.

The federal government through OMB Circular A-87 has stated "where employees are expected to work solely on a single federal award or cost objective, charges for their salaries and wages will be supported by periodic certifications that the employees worked solely on that program for the period covered by the certification. These certifications will be prepared at least semi-annually and will be signed by the employer or supervisory official having first hand knowledge of the work performed by the employee."

During our audit of the major programs, we noted that federal program certifications for those employees who worked solely on one were not always available. We believe that even though it may be obvious that due to the individual's position that they work 100% on one specific federal program, certifications must be obtained to be in compliance with OMB Circular A-87.


To meet the requirement of OMB Circular A-87, the certification is being obtained, effective in 2006, at least semi-annually for all those employees who work solely on one federal program.

These conditions were considered in determining the nature, timing and extent of the audit tests applied in our OMB Circular A-133 audit for the year ended December 31, 2005. We have not considered internal control over compliance since the date of our report. It is important to remember that management is responsible for the design and implementation of programs and control over compliance, as well as financial reporting.

This report is intended solely for the information of the management and the Board of Commissioners of St. Clair County, Michigan and is not intended to be and should not be used by anyone other than these specified parties.

We wish to express our appreciation for the courtesy and cooperation extended to us during our audit. We are available to discuss these items with you and to provide assistance in the implementation of improvements.

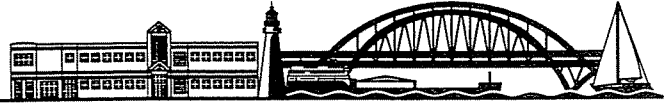
Sincerely,

A handwritten signature in cursive script, reading "Stewart, Beauvais & Whipple".



COUNTY OF ST. CLAIR

Office of the Administrator/Controller



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MISSION: To continually
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citizens and future generations
of St. Clair County.

To: Federal Grantors and Flow-Through Agencies

From: Robert C. Kempf, Deputy Controller/Finance Director

Response: Single Audit Findings for 2005

Date: September 7, 2005

Response to 2005-1

Cash accounts should be reconciled to the general ledger on a timely basis.

2005 was a unique situation with the employee assigned the bank reconciliation duty being absent for an extended period of time. We now are reconciling timely with her return and have assigned someone else the duty as backup.

Response to 2005-2

The County should adopt procedures to ensure compliance with the County's procurement requirement.

We understand that this is the second year for this finding. In 2006 we will continue to work on procedures to assure compliance.

Response to 2005-3

Documentation of steps performed during procurement.

We have included the information provided during the audit as formal documentation for the disbursements questioned. We have also instituted a formal procedure in the Emergency Preparedness Department to document and maintain the steps performed during procurement.



COUNTY OF ST. CLAIR

Office of the Administrator/Controller



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To: Federal Grantors and Flow-Through Agencies

From: Robert C. Kempf, Deputy Controller/Finance Director

Response: Single Audit Findings for 2004

Date: May 22, 2006

Response to 2004-1

The procedures for approving payables should be enhanced.

In November 2005, the Board of Commissioners adopted new policies and procedures whereby all accounts payable checks, wire transfers and procurement card purchases are reviewed in detail by a committee of three commissioners and then subsequently approved at the next Board of Commissioners meeting.

Response to 2004-2

All contracts over a certain amount should be approved by the Board of Commissioners.

In November 2005, the Board of Commissioners adopted new policies and procedures whereby all contracts are to be approved by the Board of Commissioners.

Response to 2004-3

The County should adopt procedures to ensure compliance with the County's procurement requirements.

The County is moving towards Centralized Purchasing and is working on other procedures to ensure compliance with the procurement requirements.